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SUBJECT: Vietnam: Ambassador and Vice Minister of Trade
Discuss WTO Accession

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2. (SBU) Summary: The Ambassador met with Vice Minister of Trade Luong Van Tu on March 9 to discuss preparations for the bilateral market access negotiations on Vietnam's WTO accession next week in Washington. Expressing appreciation for U.S. support in the accession process, Tu appealed for the United States to show flexibility in the negotiations and to set Vietnam as a priority in the coming weeks with a view to closing out the bilaterals by June. The Ambassador replied that the United States would need to see significant GVN movement on both goods and services at the bilaterals next week to advance the process. He also urged the Vice Minister to push forward on legislative actions required before accession. Tu stated that the GVN was not wavering in its target for December 2005 accession and that misquotes attributed to Trade Minister Truong Dinh Tuyen to the contrary were being corrected. The Ambassador also reminded Tu of the need to prepare for a vote on Permanent Normal Trade Relations (PNTR) by the U.S. Congress by ensuring good implementation of the Bilateral Trade Agreement (BTA) and dealing with outstanding issues involving U.S. firms. End Summary.

3. (SBU) In response to the Vice Minister's request, the Ambassador accompanied by ECON/C met with Vice Minister of Trade Luong Van Tu on March 9. Remarking that the United States and Vietnam would hold bilateral WTO market access talks in Washington March 14-16, VM Tu said that he hoped the Ambassador and USTR would support Vietnam and seek to speed up these negotiations. Noting that Multilateral Trade Director General Tran Quoc Khanh would head up the Vietnamese side, Tu solicited the Ambassador's view on how and when the two sides could conclude their negotiations. Tu commented that the WTO negotiations had two aspects, a technical one, in which both sides would work together to clarify basic issues, and a political one, in which each side would make a political decision on what was acceptable.

4. (SBU) The Ambassador responded by noting that there was much to discuss in these areas. He agreed with Tu's assessment of the technical and political aspects especially for any issue as complex and multifaceted as a WTO accession, which has both bilateral and multilateral negotiating tracks. As a key player in both the multilateral and bilateral tracks, the United States had made a political commitment to support Vietnam's accession, hopefully in 2005. In that regard, the United States had consistently lived up to its political commitment. The United States was also pleased that there would be bilateral talks in Washington next week. The Ambassador commented that he had asked his Economic Counselor to go to Washington to assist in the negotiations.

5. (SBU) While the political aspect would be important, the technical requirements would need to be addressed as well, the Ambassador continued. The United States is working hard to make accession in Hong Kong a reality as shown by the flexibility offered in December 2004 by providing the U.S. goods market access requests. Having reviewed Vietnam's January response, the United States is disappointed that the revised goods offers did not come close to bridging the gap. Moreover, Vietnam's revised services offer only put on paper the understandings reached in the October round in Washington and did not go further to include suggested improvements to narrow the differences.

6. (SBU) The Ambassador went on to say that although the U.S. political commitment was as strong as ever, the United States was concerned that 2005 would be a busy year for the two countries as well as the WTO accession experts since eight countries have expressed interest in acceding to the WTO in Hong Kong in December. Many members of the U.S. team working with Vietnam are also involved in other accession negotiations such as those with Russia, Saudi Arabia and

Ukraine. While Vietnam's accession is important, the two sides are behind where they thought they would be today. Therefore, they need to work harder. Both sides would like to set the stage for a successful visit of Vietnam's Prime Minister. While not impossible, it was growing more difficult for Vietnam to meet its goal of concluding the bilateral negotiations before December. Remarking that the United States had given Vietnam a new paper on services on March 8, the Ambassador said that he hoped there could be real movement at the March 14-16 negotiations so that the two sides could move closer to concluding their bilateral negotiations.

17. (SBU) Expressing thanks for the United States' steps to provide new requests on goods and services, VM Tu said that his team was now seriously considering the U.S. requests. He hoped that significant progress could be made at the next round in Washington. He stressed that it would be good for the United States to give priority to the bilateral negotiations with Vietnam in order to have continuous bilateral negotiations in the coming period. He expressed his thanks in advance for the good will gesture that the United States could make by giving priority to Vietnam.

18. (SBU) Tu noted that Vietnam needed to focus on both bilateral and multilateral negotiations. In the multilateral track, he would look for U.S. flexibility because the BTA had been based on WTO principles and the WTO was only a higher level of what was in the BTA. Already Vietnam had revised many legal documents to implement the BTA. The National Assembly (NA) would focus on revising and issuing new legal documents as needed in 2005. Tu observed that the NA had held a session the previous week to hear about revising and passing legal documents in order to meet the WTO requirements. There had also been a meeting with the NA Foreign Affairs Committee to consider how to ensure that the legislative programs required for WTO were efficiently carried out.

19. (SBU) The Ambassador commented that he and a group of interested Ambassadors and others had discussed this issue in depth the previous week, motivated by a shared interest in seeing Vietnam succeed and join the WTO as soon as possible. The group had two main concerns. First, key laws under Vietnam's WTO legislative action plan would not be enacted until 2006, after the proposed accession date. At the same time, the group of Ambassadors recognized that the NA has a tremendous workload. A key question, then, is how the NA and government will work together to ensure all legislation is completed on time. While this was not the main purpose of the bilateral meeting next week, the United States would look forward to hearing from Vietnam's delegation about how they plan to handle this issue. A related issue is that WTO members need to review all the legislation to ensure that it will bring Vietnam's system into conformity with WTO rules prior to accession. The GVN recognizes this and committed in the Ninth Working Party to provide documents so that the Working Party members could review them. But as of March 9, the WTO secretariat still had not distributed any drafts of legislation passed in November let alone drafts of legislation proposed for passage in May. All of these processes take time, therefore the sooner the documents are provided, the better, the Ambassador stressed.

110. (SBU) Referring to press reports of the previous week, the Ambassador said he had been puzzled to hear Minister of Trade Truong Dinh Tuyen say that WTO accession in 2005 might be too hard for Vietnam. The Ambassador asked whether this was accurate and whether it meant that Vietnam was wavering about its commitment to accede in Hong Kong. VM Tu responded that the press reports had been incorrect and that the Ministry had requested a correction. Vietnam is not wavering from its target as expressed to the United States and other trading partners supportive of accession. Tu confirmed that the legislative action plan would be revised as the Ambassador had mentioned based on discussions between the NA and the government. As for the distribution of legal documents to WTO Working Party members, some documents were now being translated while a number had already been sent to the WTO Secretariat, in particular all the documents relating to Sanitary and Phyto Sanitary (SPS) and Technical Barriers to Trade (TBT) matters. The GVN intends to provide remaining documents soon, he said.

111. (SBU) Noting that the United States, through USAID provides technical assistance to the NA on legal reform, the Ambassador said that the United States would like to focus as much as possible on WTO matters. So far much of the work of the Support for Trade Acceleration (STAR) Project had related to the BTA, but clearly WTO legislative compliance tracks well with the focus of STAR. If the GVN had specific requests regarding how to direct this program, the Ambassador offered to try to help. VM Tu expressed his appreciation for the contributions by STAR and took note of the Ambassador's offer.

¶12. (SBU) The Ambassador then mentioned the third element of Vietnam's WTO accession package, Permanent Normal Trade Relations (PNTR). For Vietnam to accede in Hong Kong (with respect to its dealings with the United States), the U.S. Congress would have to vote to establish PNTR for Vietnam in the fall. The Congress would certainly look at whether Vietnam had met its obligations under the BTA. While the record was good, it was not perfect, the Ambassador observed.

¶13. (SBU) In this process, the Congress would also look to the U.S. business community for a picture of how the environment for doing business is changing, the Ambassador continued. While this record is also generally good, there are issues that have not yet been resolved. Noting that most of these questions are not under the purview of the Ministry of Trade, the Ambassador listed several outstanding issues so that the Vice Minister would be aware of them. He mentioned the investment disputes in a coffee project called Krong Ana in Daklak Province involving a U.S. firm and the Third Ring Road Project in Hanoi involving a U.S. firm called Tricore. He also noted that U.S. firms had made competitive offers for several procurements that had not yet been awarded. He also noted that although there had been movement on insurance licenses for U.S. firms, not one has been issued. AIG had been in to see the Minister of Trade that morning, he noted. Finally, he raised the issue of the special consumption tax on automobiles and its impact on the auto industry in Vietnam in which U.S. firms have invested. The Ambassador said that he had discussed these issues at various levels within the GVN and would continue to do so.

¶14. (SBU) Noting that he had received it that morning, the Ambassador then conveyed a March 8 letter from Acting United States Trade Representative Peter Allgeier to Minister Tuyen.

MARINE